

Minutes Of The Board Of Trustees City Of Cincinnati Retirement System November 3, 2005

The Chairman called the meeting to order at 1:30 p.m. with the following members present:

V. Daniel Radford, Chairman
William Moller, Secretary
David E. Rager, Acting City Manager
Michael Rachford
Elliott Ruther, (proxy for John Cranley)
Ely Ryder
Brian Pickering
Marijane Klug

Member/s Absent

Joe Harrison
Charlie Luken, Mayor

The Chairman called for a motion to approve the minutes of the October 6, 2005 Board Meeting. The motion to approve the minutes was made by Mr. Moller, seconded by Mr. Pickering and carried by the Board.

BENEFITS COMMITTEE

Mr. Rachford reported that the Benefits Committee met on October 27, 2005, at 2:00 p.m. in Committee Room B. Mr. Rachford presented the following report to the Board.

1. Application for Ordinary Retirement November 6, 2005: Total – 4

| NO. | NAME | DEPARTMENT |
|------------|-----------------|---------------------------|
| 40028 | Joseph Geeslin | Health |
| 42883 | Ronald Papania | University of Cincinnati. |
| 43786 | Carmen Williams | University of Cincinnati |
| 47905 | Mary Foote | Community Development |

2. Application for Retired Members Deaths: Total – 9

3. Application for Deferred Retirement: Total - 1

| NO. | NAME | DEPARTMENT |
|------------|-----------------|-------------------|
| 52571 | Jennifer Molony | Water Works |

Mr. Rachford moved that the Board accept the report of the Benefits Committee. The motion was seconded by Mr. Pickering and carried by the Board.

INVESTMENT COMMITTEE

Mr. Moller reported the Investment Committee met on October 7, 2005. At that meeting, there was a presentation given by Allegiant Asset Management on passive index investing as well as enhanced index investing. The presentation was informational only and there were no actions taken by the Investment Committee.

Mr. Moller suggested that the Investment Committee begin meeting on a quarterly basis instead of monthly in order to ease scheduling conflicts and increase attendance. These quarterly meetings would then typically include presentations from CRS investment managers as well as presentation of the investment performance report by the investment consultant. Mr. Moller proposed that the meeting be held on the Tuesday of the week preceding the Board meeting. (These meetings would be held in February, May, August, and November, as these are the months the investment performance reports become available.) Mr. Radford noted that the November meeting would be held as planned, and the new quarterly schedule would become effective in 2006.

SECRETARY'S REPORT

Mr. Moller reported that as of September 30, 2005 the asset level of the fund was \$2.43 billion, a year-to-date decrease of about 1.5%. In the last twelve-month period, the asset level has increased about 7%. Mr. Moller commented that the preliminary data provided by the custodial bank indicates that the investment returns of the total fund are only about 3% for the first 10 months of 2005, which make it highly unlikely that the 8.75% return assumption will be met in 2005.

Mr. Moller also commented that, with the exception of international equities, the asset allocation of the investment portfolio is within the target bands defined in the asset allocation policy. Mr. Moller noted that given the asset/liability study's recommendation to increase the allocation to international equities, it is not desirable to be selling securities only to have to buy them back in the near future. Thus, funds will not be withdrawn from international equity managers to fund the system's cash needs.

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 60
2. Resolution for Return of Contributions & Death Benefits– Total : 67
Amount: \$179,346.64
3. Resolution for Loans to Members – Total: 60 Amount: \$634,319.41
4. Report on Deaths of Pensioned Members – Total: 20
5. Resolution for Military Service Credit - Total: 2

The Secretary submitted the following vouchers for payment:

| PAYEE | AMOUNT |
|---|---------------|
| Paul T. Hogya, M.D. – Professional Services Rendered for disability exams | \$1,740.00 |
| All Star Personnel Inc. – Temporary Personnel Services | \$520.00 |
| Brian Pickering – Reimbursement for conference expenses incurred September 26 – October 1, 2005 – Chicago, IL | \$1,012.52 |
| ABS Business Products, Inc. – Monthly Rental Base Rate for Copier | \$180.60 |
| Smith Barney – Professional Services Rendered | \$60,049.00 |
| Parman Group Inc. – Professional Services Rendered for Disability Evaluations | \$700.00 |
| International Foundation of Employee Benefit Plans – Board of Trustees Annual Dues | \$675.00 |
| All Star Personnel Inc. – Temporary Personnel Services | \$1,348.25 |
| Assured Micro Services Inc. – General Maintenance Agreement for On-base | \$8,604.00 |
| Mae Consulting Inc. – Professional Services Rendered | \$200.00 |
| All Star Personnel Inc. – Temporary Personnel Services | \$1,010.64 |
| City of Cincinnati – Communications Technology Services | \$994.50 |
| Mercer Human Resource Consulting – Professional Actuary Services | \$5,396.00 |

The Secretary reported that at the close of business October 31, 2005, there was in the Treasury to the credit of the Retirement System the amount of \$5,736,091.09.

Asset Valuation:

- December 31, 2004: \$2.40 billion
- September 30, 2005: \$2.43 billion
- YTD Increase (Decrease): 1.45%

Current Asset Allocation: (Policy Objective)

- Domestic Equity: 51.1% (50%)
- International: 15.0% (13.5%)
- Fixed Income: 32.6% (33.5%)
- Alternative Assets/Treasury Cash: 1.3% (3%)

PENDING BUSINESS

Mr. Moller reported that a letter has been sent to the investment consultant directing him to work with the retirement staff on developing a plan for implementation of the recommended asset allocation.

Development of Strategic Plan

Mr. Pickering reported that he spoke with a consultant, Julia Nicholson who has been a presenter on some CAPP training programs that he has attended. Mr. Pickering indicated that Ms. Nicholson is willing to participate in a conference call with Board Members to talk them through the process in more detail. Mr. Pickering requested approval to set up the call and indicated that he would invite all Board members to participate in the conference call.

Mr. Smitherman's Motion

Mr. Moller provided the Board members with two motions recently made by City Council member, Christopher Smitherman, which would add funds to the CRS. Mr. Smitherman proposed that \$15 million on deposit with private lending institutions for the Neighborhood Housing Redevelopment Loan Fund, as well as any interest earned on those deposits, be returned to the City and be used to improve the financial strength of the CRS. Mr. Moller commented that the City has contractual obligations with the financial institutions participating in that program, so the return of the City monies on deposit would require some negotiations with the financial institutions.

Public Comments

Mr. Moller was asked if any of the 55 million dollars from the Anthem Demutualization was left, and if not, what happened to the money. Mr. Moller stated that the recommendation of the City administration was to allocate funds from the Anthem Demutualization to the City's healthcare plans, but City Council decided to invest these funds primarily in neighborhoods via capital project improvements. All of the funds have been allocated to specific projects and the majority of the funds have been spent.

Mr. Kevin Shepard commented that the large retiree attendance at this meeting was a result of the comment made by Mayor Luken at the last Board meeting regarding his desire to have one more vote on giving the CRS retirees the same 80/20 healthcare plan provided to active City employees. Mr. Shepard indicated that they are taking the opportunity to again express their opposition to any reductions in healthcare benefits provided to current CRS retirees.

Mr. Peter Hannishin commented that given the problems all employers and pension plans are facing with healthcare costs, there will have to be some structural changes to the way healthcare benefits are provided nationally. He stated that the funding level for health care should be reviewed.

Mr. Moller stated that he wanted to clarify an issue on some information that is circulating among CRS retirees. The CRS retiree web site indicates that the City has in prior years skipped its portion of the contributions to the CRS. Mr. Moller stated that the city has never skipped a payment to the pension system, and that the City continued its contributions during the years that the actuary reported that no employer contributions were required.

ADJOURNMENT

Upon request of the Chairman for a motion to adjourn, the motion was made by Mr. Moller, seconded by Mr. Ryder and carried by the Board. The meeting was adjourned at approximately 1:50 p.m.